

# **COUNTY OF SISKIYOU, CALIFORNIA**



**SINGLE AUDIT ACT  
REPORTS AND SCHEDULES  
FOR THE YEAR ENDED  
JUNE 30, 2008**

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**COUNTY OF SISKIYOU, CALIFORNIA**  
**SINGLE AUDIT ACT**  
**FOR THE YEAR ENDED JUNE 30, 2008**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors and Grand Jury  
County of Siskiyou  
Yreka, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Siskiyou, California (County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. Significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as item numbers 08-FS-01, 08-FS-02 and 08-FS-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 08-FS-01 and 08-FS-02 to be material weaknesses.

Compliance and Other Matters

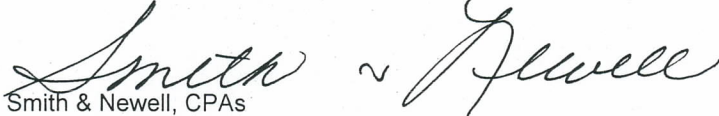
As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of the County in a separate report dated March 6, 2009.

To the Board of Supervisors and Grand Jury  
County of Siskiyou  
Yreka, California

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the Board of Supervisors and Grand Jury, and Federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

  
Smith & Newell, CPAs  
Yuba City, California  
March 6, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors and Grand Jury  
County of Siskiyou  
Yreka, California

Compliance

We have audited the compliance of County of Siskiyou, California, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 08-SA-01.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinions on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.


To the Board of Supervisors and Grand Jury  
County of Siskiyou  
Yreka, California

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Siskiyou, California, as of and for the year ended June 30, 2008, and have issued our report thereon dated March 6, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, the Board of Supervisors and Grand Jury, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Smith & Newell, CPAs  
Yuba City, California  
March 6, 2009



**COUNTY OF SISKIYOU, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>Federal Program/Pass Through Program Title</b>	<b>CFDA Number</b>	<b>Federal Pass-Through Grantor Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Education			
School Breakfast Program	10.553	-	\$ 12,415
National School Lunch Program	10.555	-	14,651
Passed through State Department of Social Services:			
Food Stamps	10.551	-	5,101,451
State Administrative Matching Grants for Food Stamp Program	10.561	-	519,063
Passed through State Department of Health Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	-	249,997
Passed through State Controller's Office			
Schools and Roads - Grants to Counties	10.666	-	<u>5,513,788</u>
<b>Total U.S. Department of Agriculture</b>			<u>11,411,365</u>
<u>Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Community Development Block Grants/Technical Assistance Program	14.227	05 PTAA 1470	38,844
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	05 STBG 1781	610,276
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	06 STBG 2576	11,088
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	-	<u>180,370</u>
<b>Subtotal 14.228</b>			<u>801,734</u>
HOME Investment Partnerships Program	14.239	06 HOME 2360	3,624
Rural Housing and Economic Development	14.250	05 EDBG 1841	166,164
Rural Housing and Economic Development	14.250	06 EDBG 2610	34,244
Rural Housing and Economic Development	14.250	06 EDBG 2705	<u>67,333</u>
<b>Subtotal 14.250</b>			<u>267,741</u>
<b>Total Department of Housing and Urban Development</b>			<u>1,111,943</u>
<u>U.S. Department of the Interior</u>			
Direct Program:			
Payments in Lieu of Taxes	15.226	-	<u>517,163</u>
<b>Total U.S. Department of the Interior</b>			<u>517,163</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	MS 0708 0470	177,107

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF SISKIYOU, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>Federal Program/Pass Through Program Title</b>	<b>CFDA Number</b>	<b>Federal Pass-Through Grantor Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Justice (Continued)</u>			
Passed through State Office of Emergency Services:			
Crime Victim Assistance	16.575	VW 0715 0470	\$ 49,109
Edward Byrne Memorial Formula Grant Program	16.579	DC 0720 0470	115,003
Passed through State Drug Enforcement Agency:			
Drug Court Discretionary Grant Program	16.585	2007-46	40,000
<b>Total U.S. Department of Justice</b>			<b>381,219</b>
<u>U.S. Department of Transportation</u>			
Passed through Federal Aviation Administration:			
Airport Improvement Program	20.106	AIP 3-06-0082-05	37,392
Airport Improvement Program	20.106	AIP 3-06-0157-06	144,699
Airport Improvement Program	20.106	AIP 3-06-0274-06	79,608
Airport Improvement Program	20.106	AIP 3-06-0274-07	111,367
Airport Improvement Program	20.106	AIP 3-06-0274-08	209,724
<b>Subtotal 20.106</b>			<b>582,790</b>
Passed through State Department of Transportation:			
Highway Planning and Construction	20.205	BRLO-5902(010)	87,247
Highway Planning and Construction	20.205	BRLO-5902(040)	39,795
Highway Planning and Construction	20.205	BRLO-5902(051)	1,593
Highway Planning and Construction	20.205	BRLO-5902(053)	63,396
<b>Subtotal 20.205</b>			<b>192,031</b>
Passed through State Department of Parks and Recreation			
Recreational Trails Program	20.219	STPLER-5902(039)	146,258
Passed through State Office of Traffic Safety			
Child Safety and Child Booster Seats Incentive Grants	20.613	OP0709	46,265
<b>Total U.S. Department of Transportation</b>			<b>967,344</b>
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Promoting Safe and Stable Families	93.556	-	35,612
Temporary Assistance for Needy Families	93.558	-	5,383,078
Child Welfare Services - State Grants	93.645	-	36,015
Foster Care - Title IV-E	93.658	-	1,613,576
Adoption Assistance	93.659	-	537,920
Chafee Foster Care Independence Program	93.674	-	59,089
Passed through State Child Support Department			
Child Support Enforcement	93.563	-	2,005,036
Passed through State Department of Community Services and Development			
Community Services Block Grant	93.569	07F-4880	163,342

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF SISKIYOU, CALIFORNIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>Federal Program/Pass Through Program Title</b>	<b>CFDA Number</b>	<b>Federal Pass-Through Grantor Number</b>	<b>Federal Expenditures</b>
<u>U.S. Department of Health and Human Services (Continued)</u>			
Passed through State Department of Mental Health Services: Block Grants for Community Mental Health Services	93.958	SAMSHA	\$ 118,901
Passed through State Department of Alcohol and Drug Programs: Block Grants for Prevention and Treatment of Substance Abuse	93.959	SAPT	712,239
Passed through State Department of Health Services: Public Health Emergency Preparedness	93.069	-	205,396
Immunization Grants	93.268	07-65252	85,271
National Bioterrorism Hospital Preparedness Program	93.889	-	75,950
Maternal and Child Health Services Block Grant to the States	93.994	MCH	95,653
Bioterrorism Training and Curriculum Development Program	93.996	-	115,651
Medical Assistance Program	93.778	CHDP	43,663
Medical Assistance Program	93.778	CCS	69,827
Medical Assistance Program	93.778	HCPCFC	6,498
Medical Assistance Program	93.778	MAA	58,792
<b>Subtotal 93.778</b>			<b>178,780</b>
<b>Total Department of Health and Human Services</b>			<b>11,421,509</b>
<u>Department of Homeland Security</u>			
Direct Program:			
State Homeland Security Program (SHSP)	97.073	2005-0015	11,000
State Homeland Security Program (SHSP)	97.073	2006-71	14,918
State Homeland Security Program (SHSP)	97.073	2007-0008	99,817
<b>Subtotal 97.073</b>			<b>125,735</b>
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2005-0015	121
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2006-71	10,856
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	2007-0008	51,171
<b>Subtotal 97.074</b>			<b>62,148</b>
Passed through Federal Emergency Management Agency Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR 1628	433,159
<b>Total Department of Homeland Security</b>			<b>621,042</b>
<b>Total</b>			<b>\$ 26,431,585</b>

See accompanying Notes to Schedule of Expenditures of Federal Awards

**COUNTY OF SISKIYOU, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**1. REPORTING ENTITY**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the County of Siskiyou. The County of Siskiyou reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

**2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**3. RELATIONSHIP TO FINANCIAL STATEMENTS**

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements, federal award revenues are reported principally in the County's financial statements as inter governmental revenue in the General and Special Revenue Funds.

**4. PROGRAM CLUSTERS**

Federal programs, which must be audited together as a program cluster, include the following:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<u>Food Stamp Cluster</u>		
10.551	Food Stamps	\$ 5,101,451
10.561	State Administrative Matching Grants for Food Stamp Program	519,063
	Total	<u>\$ 5,620,514</u>
<u>Child Nutrition Cluster</u>		
10.553	School Breakfast Program	\$ 12,415
10.555	National School Lunch Program	14,651
	Total	<u>\$ 27,066</u>

**5. PASS -THROUGH ENTITIES' IDENTIFYING NUMBER**

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

**COUNTY OF SISKIYOU, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**6. CALIFORNIA OFFICE OF EMERGENCY SERVICES PROGRAMS**

The following represents expenditures for Office of Emergency Services (OES) programs for the year ended June 30, 2008. The amount reported in the Schedule of Expenditure of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2007	For the Year Through June 30, 2008	Cumulative As of June 30, 2008	Federal Share	State Share	County Share
<u>VW0715 0470 - Victim Witness Assistance</u>						
Personal services	\$ -	\$ 113,106	\$ 113,106	\$ 49,109	\$ 63,997	\$ -
Operating expenses	-	1,000	1,000	-	1,000	-
Equipment	-	-	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ 114,106</u>	<u>\$ 114,106</u>	<u>\$ 49,109</u>	<u>\$ 64,997</u>	<u>\$ -</u>
<u>VB0704 0290 - Statutory Rape Vertical Prosecution</u>						
Personal services	\$ -	\$ 97,057	\$ 97,057	\$ -	\$ 97,057	\$ -
Operating expenses	-	2,000	2,000	-	2,000	-
Equipment	-	-	-	-	-	-
Totals	<u>\$ -</u>	<u>\$ 99,057</u>	<u>\$ 99,057</u>	<u>\$ -</u>	<u>\$ 99,057</u>	<u>\$ -</u>
<u>DC0720 0470 - Anti-Drug Enforcement</u>						
Personal services	\$ -	\$ 84,945	\$ 84,945	\$ 84,945	\$ -	\$ -
Operating expenses	-	22,981	22,980	22,981	-	-
Equipment	-	7,077	7,077	7,077	-	-
Totals	<u>\$ -</u>	<u>\$ 115,003</u>	<u>\$ 115,003</u>	<u>\$ 115,003</u>	<u>\$ -</u>	<u>\$ -</u>
<u>MS0708 0470 - Edward Byrne Memorial Justice Assistance Grant Program</u>						
Personal services	\$ -	\$ 144,336	\$ 144,336	\$ 144,336	\$ -	\$ -
Operating expenses	-	13,729	13,729	13,729	-	-
Equipment	-	19,042	19,042	19,042	-	-
Totals	<u>\$ -</u>	<u>\$ 177,107</u>	<u>\$ 177,107</u>	<u>\$ 177,107</u>	<u>\$ -</u>	<u>\$ -</u>

**7. CALIFORNIA DEPARTMENT OF JUSTICE**

The following represents expenditures for the California Department of Corrections and Rehabilitation programs for the year ended June 30, 2008. The amount reported in the Expenditures of Schedule of Federal Awards is determined by calculating the federal portion of the current year expenditures.

Program	Expenditures Claimed			Share of Expenditures Current Year		
	For the Period Through June 30, 2007	For the Year Through June 30, 2008	Cumulative As of June 30, 2008	Federal Share	State Share	County Share
<u>07SA14D033 - Spousal Abuser Prosecution Program</u>						
Salaries	\$ -	\$ 27,673	\$ 27,673	\$ -	\$ 22,947	\$ 4,726
Benefits	-	14,399	14,399	-	11,980	2,419
Supplies	-	800	800	-	800	-
Totals	<u>\$ -</u>	<u>\$ 42,872</u>	<u>\$ 42,872</u>	<u>\$ -</u>	<u>\$ 35,727</u>	<u>\$ 7,145</u>



**COUNTY OF SISKIYOU, CALIFORNIA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**8. LOANS OUTSTANDING**

The programs listed below had the following aggregate, federally funded loans outstanding at June 30, 2008:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Amount Outstanding</u>
14.228	Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	\$ <u>2,614,248</u>
	Total Loans Outstanding	\$ <u><u>2,614,248</u></u>

**COUNTY OF SISKIYOU, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**I. SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Status

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued   | Unqualified |
| 2. Internal controls over financial reporting:                                   |             |
| a. Material weaknesses identified?   | Yes         |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes         |
| 3. Noncompliance material to financial statements noted?                         | No          |

Federal Awards

- |  |   |             |
|--|---|-------------|
| 1. Internal control over major programs:   |   |             |
| a. Material weaknesses identified?   |   | No          |
| b. Significant deficiencies identified not considered to be material weaknesses?                                       |   | No          |
| 2. Type of auditor's report issued on compliance for major programs:   |   |             |
| All major programs   |   | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)? |   | Yes         |
| 4. Identification of major programs:   |   |             |
| 14.228   | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |             |
| 14.250   | Rural Housing and Economic Development  |             |
| 15.226   | Payments in Lieu of Taxes   |             |
| 20.106   | Airport Improvement Program   |             |
| 93.558   | Temporary Assistance for Needy  |             |
| 93.659   | Adoption Assistance   |             |
| 93.959   | Block Grants for Prevention and Treatment of Substance Abuse                            |             |
| 5. Dollar threshold used to distinguish between Type A and Type B programs?  |   | \$792,948   |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?                                      |   | Yes         |

**II. FINANCIAL STATEMENT FINDINGS**

Financial Reporting: Significant deficiency	08-FS-01
Financial Reporting: Material weakness	08-FS-02
Financial Reporting: Material weakness	08-FS-03
Financial Reporting: Significant deficiency	08-FS-04

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

CFDA 14.228	08-SA-01
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**COUNTY OF SISKIYOU, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-01 STATEMENT ON AUDITING STANDARDS NO. 112 (Financial Reporting: Significant Deficiency)**

**Condition**

Currently, the County relies on the external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP).

**Cause**

Prior to issuance of SAS 112, the County was able to rely on the external auditors to assist with recording certain financial transactions and with preparation of the financial statements and related notes without being subject to control deficiencies.

**Criteria**

In May 2006, a new auditing standard, Statement on Auditing Standard No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS 112), was issued. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence.

The County should have the capacity to prepare full disclosure financial statements in accordance with generally accepted accounting principles. To carry out this responsibility, the County must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.

**Effect of Condition**

The risk of misstatement in the financial statements increases when management is not able to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes. Also, by relying on the external auditors to assist with recording certain financial transactions and to ensure its financial statements are in accordance with GAAP, the County is considering the external auditors a part of its internal controls over the preparation of the financial statements.

**Recommendation**

The County may consider the following possible actions:

1. Provide training opportunities for its accounting staff that would enable them to become more familiar with generally accepted accounting principles as well as general disclosure requirements. This training should include, but is not limited to, the usage of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked.
2. Hire an external accountant to consult with for proper transaction recording for unusual transactions and to confirm that the financial statements and related disclosures are in accordance with GAAP.
3. Take no action. The County may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the County's internal controls.

**Corrective Action Plan**

The Auditor has full capability of performing this portion of the preparation of the financial statements. The financial system has been modified to properly rearrange funds as necessary and the implementation of the programming that would pull together the combination statements is partially implemented at this point. It has been a goal we have been working towards since SAS 112 was issued.

The time to do this additional work is what will determine whether we accomplish this task in the next year.

**COUNTY OF SISKIYOU, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-02 PENSION OBLIGATION FUNDS (Financial Reporting: Material Weakness)**

**Condition**

The County issued \$16,620,000 in pension obligation bonds and used the proceeds to payoff the PERS unfunded liability for the miscellaneous plan and the safety plan, but did not record the debt proceeds, payment of pension obligation to PERS, bond issuance costs, underwriters discount, or residual cash with fiscal agent in the general ledger.

**Cause**

Procedures were not in place to ensure compliance with generally accepted accounting principles.

**Criteria**

Generally accepted accounting principles require that all debt issued and all payments made with debt proceeds be properly recorded in the general ledger.

**Effect of Condition**

The proceeds from the issuance of debt and pension obligation expenditures were not recorded in the general ledger. This material misstatement was detected as a result of audit procedures.

**Recommendation**

We recommend that the County properly record all debt issuances and use of debt proceeds in the general ledger. We further recommend that the County take appropriate action to ensure that in the future, procedures are in place to ensure compliance with generally accepted accounting principles prior to the audit.

**Corrective Action Plan**

We agree that this transaction was only partially recorded. We have not experienced such a transaction before so our contact with the outside auditor was limited in scope at the time of the transaction with the idea that when they were on site, they would review what we had done thus far and let us know what we had missed. This worked very well. Had the cash flowed through the treasury, we could have managed this far better but the cash flowed directly from the bond proceeds to CalPERS which made the transaction more unusual for us. We chose to record what we knew to be correct and leave the rest for direct input from the auditors.

**08-FS-03 YREKA LANDFILL CLOSURE (Financial Reporting: Material Weakness)**

**Condition**

During the fiscal year ended June 30, 2008, the County completed the purchase of the Yreka landfill site from the City of Yreka. The terms of the purchase required the City to pay the County \$1,100,000 from the landfill closure account, \$1,000,000 as a purchase payment and \$175,000 per year for the next twenty five years. In exchange, the County was to assume all responsibility for operation of the landfill as well as responsibility for closure and post closure maintenance. The County recorded the cash received but did not record any other portion of the purchase.

**Cause**

Procedures were not in place to ensure compliance with generally accepted accounting principles.

**Criteria**

Good control over County operations requires that all significant entries be recorded in accordance with generally accepted accounting principles.

**COUNTY OF SISKIYOU, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-FS-03 YREKA LANDFILL CLOSURE (CONTINUED)**

**Effect of Condition**

The County incorrectly recorded the Yreka landfill purchase. The only portion of the transaction that was recorded was the cash received. The long term receivable and the closure/post closure liability were not recorded. This material misstatement was detected as a result of audit procedures.

**Recommendation**

We recommend that the County record the purchase of the Yreka landfill in accordance with generally accepted accounting principles. We further recommend that the County take appropriate action to ensure that in the future, procedures are in place to ensure compliance with generally accepted accounting principles prior to the audit.

**Corrective Action Plan**

This was one of the most unusual transactions I have had to deal with. We purchased a negative valued asset. This was also discussed with the outside auditors at the time of the transaction and our decision was to record the cash received and wait for the on-site visit where all the documentation could be reviewed by the audit firm and appropriate direction could be given.

**08-FS-04 CLOSURE/POST CLOSURE LIABILITY CALCULATION (Financial Reporting: Significant Deficiency)**

**Condition**

The County did not applied the annual inflation factor to the post closure liability for the closed landfills and did not reduced the liability by current year expenses incurred. In addition, the calculation of the current closure/post closure cost estimate for Yreka landfill submitted to the California Integrated Waste Management Board on July 30, 2008, did not use the correct annual inflation factor.

**Cause**

Procedures were not in place to ensure that the calculation of the closure/post closure liability was correct. This misstatement was detected as a result of audit procedures.

**Criteria**

Each year the landfill operator is required to complete the annual inflation factor calculation worksheet for each active and/or inactive landfill owned or operated for submission to the State as required by Title 27, California Code of Regulations, Division 2, Subdivision 1, Chapter 6, Subchapter 3, Article 1, Section 22236.

**Effect of Condition**

The closure/post closure liability was incorrectly calculated.

**Recommendation**

We recommend that the County complete the annual inflation factor calculation worksheet for each active and/or inactive landfill and reduce the closure/post closure liability by current year expenses incurred. We further recommend that the County take appropriate action to ensure compliance with California Integrated Waste Management Board regulations prior to the audit.

**Corrective Action Plan**

This has been done correctly in the past but staff that did this retired and the remaining staff was not aware that they needed to contact CIWMB for the inflation factor. This has been rectified as of this date and procedures are documented for future calculations.



**COUNTY OF SISKIYOU, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-SA-01**

<b>Name:</b>	<b>COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII</b>
<b>CFDA #:</b>	<b>14.228</b>
<b>Federal Grantor:</b>	<b>U.S. Department of Housing and Urban Development</b>
<b>Pass Through Entity:</b>	<b>State Department of Social Services</b>
<b>Award No.:</b>	<b>Various</b>
<b>Year:</b>	<b>2007/2008</b>

**Condition**

During our testing of fourteen CDBG loans receivable we noted the following:

- Loan balances per the loan portfolio did not include return of unused funds and the unused funds were not properly recorded in the general ledger.
- Loans were not monitored to ensure that a current verification of income was on file, that payments were being made timely and in accordance with the loan agreement, and that the required deed of trust had been filed and recorded.
- One loan for which the loan balance per the amended promissory note did not agree to the loan balance per the general ledger.
- One loan that was not properly recorded on the general ledger and required adjustment to correct the balance.
- One loan for which payments were to begin 02-05-04, however no payments have been received and the late fee of \$5 per payment had not been applied to the loan.
- The loan files lack organization and we noted there is no checklist of required documentation in each file.

**Prospective**

All CDBG loan files we listed contained some type of error.

**Cause**

Responsibility for the CDBG loans receivable has been transferred between County departments and has not been adequately monitored for compliance with the loan agreements or to ensure that all required documentation is filed and properly recorded.

**Criteria**

CDBG loan programs are to be monitored in accordance with the State of California program requirements and each loan should be monitored for compliance with the individual loan agreement.

**Effect of Condition**

The County is not properly monitoring CDBG loans receivable for compliance with the loan agreements. In addition, the County is not ensuring that all documentation is filed and recorded to protect the County's interests should a loan default, and is not properly recording and monitoring loan receivable balances.

**Recommendation**

We recommend that the County develop policies and procedures for the processing and maintenance of CDBG loans. We further recommend that all CDBG loan files be reviewed to ensure that all required documentation is in the file and that files be organized so that required documentation is easily identified.

**COUNTY OF SISKIYOU, CALIFORNIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**08-SA-01 (CONTINUED)**

**Corrective Action Plan**

1. The financial worksheet did not match the promissory note on one of the sample test loans and the general ledger amount had not been adjusted accordingly. The return of the funds was booked as a reduction of expense but the general ledger portion of the entry was not completed. All loans have been reviewed and additional training has been added for staff to understand that both the income statement as well as the balance sheet must be adjusted.
2. These files were in the Auditor's office for years and staffing levels did not allow us to perform this level of monitoring. We depended upon our contractor to do these things for us. The year they were in the Administrator's office did not allow their staff person time to get to these either. Since October of 2007, we have consistently been working on going through all files for a very wide variety of purposes of which gaining current income information is one of them. In the early years, most loans were done at 0% interest with deferred payments which would not allow us to change anything should the individual's income change.
3. This specific loan has subsequently been corrected.
4. This loan has also been corrected and processes have been developed to monitor both situations in No. 3 and No. 4.
5. The \$5 late fee can only be applied to those loans requiring a payment. All loans made in the past 8 or more years have required a minimum payment each month and we have not added this late fee but have stayed on top to these payments by demand letters which have been fairly successful. The majority of loans prior to this time frame did not require any payment at all and had a 0% interest rate. No late fee can be applied. For those that the late fee can be applied to, we will be including that in the future.
6. We have spent a great deal of time tracking down missing documentation on older files as it is. We realize that there is more work to be done. We have developed a check list for each type of loan and a standard filing format that will allow those items to be easily identified as missing or present and exactly where to find them in the file. In cases where the documentation and proper recordings were not followed through with when using the contractor, we have enlisted the assistance of County Counsel to guide us through all legal avenues of recovery available to us.

**COUNTY OF SISKIYOU, CALIFORNIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30 2008**

**Audit Reference**

**Status of Prior Year Audit Findings**

There were no prior year audit findings.

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**SUPPLEMENTAL STATEMENTS OF  
REVENUE AND EXPENDITURE**



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**COUNTY OF SISKIYOU, CALIFORNIA**  
**SUPPLEMENTAL STATEMENT OF REVENUE AND EXPENDITURE**  
**CSD CONTRACT NO. 07F-4880 (CSBG)**  
**FOR THE PERIOD JANUARY 1, 2007 THROUGH JUNE 30, 2008**

	January 1 through June 30, 2007	July 1, 2007 through June 30, 2008	Totals
<u>Revenue</u>			
Grant revenue	\$ 74,658	\$ 248,621	\$ 323,279
Total Revenue	<u>\$ 74,658</u>	<u>\$ 248,621</u>	<u>\$ 323,279</u>
<u>Expenditures</u>			
Administrative Costs:			
Salaries and wages	\$ -	\$ 8,278	\$ 8,278
Operating expenses and equipment	2,847	-	-
Subcontractor services	<u>-</u>	<u>14,907</u>	<u>14,907</u>
Total Administrative Costs	<u>2,847</u>	<u>23,185</u>	<u>23,185</u>
Program Costs:			
Subcontractor services	<u>58,710</u>	<u>140,157</u>	<u>198,867</u>
Total Program Costs	<u>58,710</u>	<u>140,157</u>	<u>198,867</u>
Total Expenditures	<u>\$ 61,557</u>	<u>\$ 163,342</u>	<u>\$ 222,052</u>

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